Update from the "Cliff": Given Thursday evening's events in the House, it looks more and more like we may be going over the "fiscal cliff". Therefore, I wanted to give you an update on what that could potentially mean for you. I also wanted to clarify the total impact of the income tax rate changes that we will face should we go over. These figures, which appeared in my previous "Laptop Report", have been updated.

The total impact of all the income tax rate changes is estimated to raise revenue of roughly $4.5 trillion over 10 years. The total effect of all of this would be to reduce the deficit by approximately $7.7 trillion over the next ten years according to the Congressional Budget Office (CBO). That means CBO projects an "average" annual deficit of roughly $230 billion if we are over the "cliff" vs. a deficit of about $1 trillion a year if everything is extended.

Again, these projections are based on "static modeling". That means they do not take into account the economic impacts and the behavioral changes that will occur as a result of what I've outlined above. When these tax hikes take place, people will most certainly take actions to legally reduce their tax bills. Additionally, many economists predict a recession will occur, which would further reduce revenue. Also, as I pointed out last time, the medical provider payment reductions will likely result in a number of doctors and hospitals refusing Medicare patients. This will all have its own economic ripple effect. Put that all together and the deficit is unlikely to drop that far.

With all that, as best you can, have a Merry Christmas and a Happy New Year!